

Message Text

CONFIDENTIAL

PAGE 01 LONDON 16733 01 OF 02 231826Z

45

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AF-04 ARA-06 EA-06 NEA-06 RSC-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01

INR-05 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 IO-10 OIC-02 /118 W

----- 017229

R 231802Z DEC 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6822

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 16733

E.O. 11652: GDS

TAGS: ETRD, EAGR

SUBJ: COFFEE: CONSUMERS COMPARE NOTES

REF: (A) STATE 279663, (B) LONDON 16341, (C) LONDON
16289

1. THE FRENCH (GALLO), CANADIAN (MUSGROVE), AND USREPS
TO THE INTERNATIONAL COFFEE ORGANIZATION (ICO)
EXECUTIVE BOARD MET AT THE EMBASSY THE MORNING OF
DECEMBER 18 TO COMPARE NOTES ON THE EVE OF THE PRE-
NEGOTIATION PROCESS FOR A THIRD INTERNATIONAL COFFEE
AGREEMENT (ICA), SCHEDULED TO START JANUARY 6. THE
GERMAN REP (BEHRENDT), WHO HAD INSTIGATED THE MEETING,
WAS UNABLE TO ATTEND. HOWEVER, HE CALLED AT THE EMBASSY
THE MORNING OF DECEMBER 20 SO THIS CABLE REFLECTS
HIS VIEWS AS WELL.

2. PRINCIPAL POINTS EMERGING DURING THE DECEMBER
MEETING WITH GALLO AND MUSGROVE WERE:
(A) CONSUMERS (I.E. ENTIRE GROUP) ARE BY-AND-LARGE
INTERESTED IN BEING RESPONSIVE TO PRODUCER DESIRES FOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 16733 01 OF 02 231826Z

A NEW ICA WITH ECONOMIC PROVISIONS; HOWEVER, THEY

ARE NOT YET CLOSE TO WORKING OUT A COMMON CONSUMER POSITION.

(B) WITHIN THE EC GROUP, GALLO CLAIMED THAT THE FRG WAS THE ONLY COUNTRY NOT REPT NOT INTERESTED IN CHANGING THE PRESENT SITUATION, I.E., AN ICA WITHOUT ECONOMIC PROVISIONS. GALLO SAID THE FRG POSITION WAS THAT THE MARKET MECHANISM ALONE SHOULD BE RELIED UPON. HE MAINTAINED, TO THE CONTRARY, THAT SUCH A POSITION, IF ADOPTED BY THE CONSUMERS, WOULD LEAD TO EXTREME AND PERHAPS FOOLISH RESPONSES BY PRODUCERS WHICH WOULD HAVE THE EFFECT OF DISRUPTING THE MARKET (WHILE FRG IS CERTAINLY MORE CONSERVATIVE THAN FRANCE, GALLO'S DESCRIPTION APPEARS TOO EXTREME - SEE PARA. 3).

(C) RE THE BRAZILIAN POSITION, REF (A), GALLO AND MUSGROVE--AND LATER BEHRENDT--SEEMED TO ACCEPT THE BRAZILIAN PROPOSAL AS A SERIOUS INITIATIVE, BUT ALL THOUGHT THE DIVISIONS AMONG THE PRODUCERS REMAINED AND THAT SUSPICION OF BRAZIL STILL RUNS DEEP. GALLO AND MUSGROVE THOUGHT THE "UNANIMOUS SUPPORT" OF BRAZIL'S MAINTANANCE OF VALUE THESIS (INDEXATION) DURING THE RECENT PRODICERS' MEETING WAS MOSTLY LIP SERVICE, REF (B). THEY FELT THAT THE PRODUCERS REALIZED AN EXTREME INDEXATION PROVISION WOULD NOT REPT NOT BE ACCEPTABLE TO THE CONSUMERS. MOST NOW SUPPORT IT ONLY AS A FIRST NEGOTIATING POINT.

(D) GALLO AND MUSGROVE BOTH FELT THAT THE CONSUMERS SHOULD ATTEMPT TO DEVELOP A SOUND COMMON POSITION ON PRODUCER PROPOSALS (OR AT LEAST MUTUALLY CONSISTENT POSITIONS) AND BE IN A POSITION TO RESPOND CONTRUCTIVELY TO PROPOSALS FROM ALMOST THE FIRST DAY OF THE 1975 PRE-NEGOTIATION MEETINGS. GALLO FAVORED DEVELOPMENT OF A FAIRLY COMPLETE, COMMON CONSUMER POSITION. NOT SURPRISINGLY, HE FELT THIS POSITION MIGHT BE BUILT AROUND HIS PROPOSAL TO THE EC FOR A 10 MILLION BAG RESERVE STOCK SCHEME, UNDER ICO CONTROL, AND WITH UPPER AND LOWER PRICE TRIGGERING LIMITS, REF (C).

3. TWO DAYS LATER, BEHRENDT DESCRIBED THE FRG POSITION TOWARD A NEW ICA IN SOMEWHAT DIFFERENT TERMS THEN GALLO'S LIKE THE US, HE SAID, GERMANY BELIEVES A NEW ICA IS CONFIDENTIAL

CONFIDENTIAL

PAGE 03 LONDON 16733 01 OF 02 231826Z

ESSENTIALLY MORE IN THE INTEREST OF THE PRODUCERS THAN THE CONSUMERS. THEREFORE, THE CONSUMERS SHOULD NOT TAKE INITIATIVES BUT ONLY BE PREPARED TO REACT TO INITIATIVES ON THE PART OF THE PRODUCERS. BEYOND THIS THE FRG POSITION IS NOT WELL DEVELOPED. BEHRENDT AGREED THE FRG WOULD OPPOSE INDEXATION, BUT SURPRISINGLY ADDED THAT GERMANY MIGHT FIND IT EASIER TO COM-PROMISE ON QUESTIONS OF PRICE THAN STOCK POLICY IN

ANY NEW ICA. THIS WAS DUE PRIMARILY TO DISENCHANTMENT WITH BUFFER STOCK OPERATIONS FOR TIN AND COCOA AND THE BELIEF THAT A COFFEE SCHEME WOULD BE PROHIBITIVELY EXPENSIVE AND DIFFICULT TO CONTROL. HE SAID A RESERVE STOCK SCHEME UNDER ICO CONTROL WOULD BE MORE ACCEPTABLE THAN A BUFFER STOCK SCHEME, BUT HE OBVIOUSLY WAS NOT ENTHUSIASTIC ABOUT EITHER. CONCERNING THE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 LONDON 16733 02 OF 02 231823Z

45

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 AF-04 ARA-06 EA-06 NEA-06 RSC-01

AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01

INR-05 INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 FEAE-00 OMB-01 IO-10 OIC-02 /118 W

----- 017269

R 231802Z DEC 74

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 6823

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 16733

GERMAN INDUSTRY'S VIEW OF A NEW ICA, BEHRENDT FELT THAT WITH SOME EXCEPTION, THIS TENDED TO RANGE FROM INDIFFERENCE TO HOSTILITY. BEHRENDT EXPRESSED PARTICULAR INTEREST IN USG VIEWS ON THE VARIOUS STOCK IDEAS AND ON REVIVAL OF THE NOTION OF A "STANDBY" OR SAFETY NET AGREEMENT UNDER WHICH ECONOMIC PROVISIONS WOULD COME INTO PLAY ONLY IF THE MARKET APPEARED HEADED FOR TROUBLE.

4. COMMENT. IT IS QUITE PROBABLE THAT ANOTHER, MORE FORMAL CONSUMERS MEETING--WITH ALL CONSUMERS ON

EXECUTIVE BOARD INVITED--WILL BE CALLED ON THE EVE OF OR ON THE FIRST DAY THE WORKING GROUP ON NEGOTIATIONS MEETINGS. GUIDANCE ON POINTS RAISED IN PARAS 2 AND 3, AND PARTICULARLY THOSE RAISED BY BEHRENDT RE STOCK POLICY AND A "STANDBY" AGREEMENT WOULD BE QUITE USEFUL FOR THE MEETING.

5. THE USREP OF COURSE IS AWARE THAT THE WORKING GROUP SESSIONS WILL BE INFORMAL, NON-BINDING PRE-NEGOTIATION CONFIDENTIAL

CONFIDENTIAL

PAGE 02 LONDON 16733 02 OF 02 231823Z

MEETINGS, AND THAT EARLY MEETINGS ARE NOT LIKELY TO GET INTO SUBSTANCE. NEVERTHELESS, THE USDEL SHOULD BE IN A POSITION TO RESPOND CONSTRUCTIVELY EARLY ON OR RUN THE RISK OF BEING THOUGHT "NOT REALLY INTERESTED." CONCERNING THE DESIRABILITY OF DEVELOPMENT OF A COMMON CONSUMER POSITION, CERTAINLY WE SHOULD EXPLORE POSITIONS FULLY WITH OTHER CONSUMERS AND PROBABLY TRY TO DEVELOP THE DEGREE OF COMMUNALITY WE CAN. HOWEVER, WE SHOULD AVOID GETTING TIED DOWN TO A SPECIFIC, DETAILED PROPOSAL SUCH AS GALLO'S AT THIS STAGE.

SPIERS

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, NEGOTIATIONS, TRADE AGREEMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 23 DEC 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LONDON16733
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740373-0176
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19741215/aaaaamlw.tel
Line Count: 196
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 74 STATE 279663, 74 LONDON 16341
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by boyleja>; APPROVED <20 MAR 2003 by ShawDG>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE: CONSUMERS COMPARE NOTES
TAGS: ETRD, EAGR
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005